中 金 资 源

CHINA METAL RESOURCES UTILIZATION LIMITED
中國金屬資源利用有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1636)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Board of Directors (the "Board") of China Metal Resources Utilization Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2020. This announcement, containing the full text of the 2020 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in relation to information to accompany preliminary announcement of interim results. Printed version of the Company's 2020 interim report will be delivered to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.cmru.com.cn on or before 14 September 2020.

By order of the Board
China Metal Resources Utilization Limited
Mr. YU Jianqiu
Chairman

Hong Kong, 31 August 2020

As at the date of this announcement, the Board comprises of four executive directors, namely, Mr. Yu Jianqiu (Chairman), Mr. Kwong Wai Sun Wilson, Mr. Huang Weiping and Ms. Zhu Yufen; and three independent non-executive directors, namely, Mr. Lee Ting Bun Denny, Mr. Pan Liansheng and Ms. Ren Ruxian.

China Metal Resources Utilization Limited
中國金屬資源利用有限公司

(a company incorporated under the laws of Cayman Islands with limited liability)
（根據開曼群島法律註冊成立的有限公司）

Stock Code 股份代號：1636

INTERIM REPORT 中期報告 **2020**

CONTENTS

This interim report, in both English and Chinese versions, is available on the Company's website at http://www.cmru.com.cn/. Shareholders who have chosen to receive the corporate communications of the Company (the "Corporate Communications") in either the English version or the Chinese version may request for a copy in the other language. The interim report in the requested language will be sent free of charge by the Company upon request.

Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to change their choice of language(s) of Corporate Communications by notice in writing to the Hong Kong Branch Share Registrar of the Company with Computershare Hong Kong Investor Services Ltd. at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

DIRECTORS

EXECUTIVE DIRECTORS

Yu Jianqiu
Kwong Wai Sun Wilson
Huang Weiping
Zhu Yufen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lee Ting Bun Denny
Pan Liansheng
Ren Ruxian

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

She Nos 1, 3 and 8
Shunhe Village Xiaojiangou Town
Youxian District
Mianyang
Sichuan Province
China

PLACE OF BUSINESS IN HONG KONG

Unit 4402–03, COSCO Tower,
183 Queen's Road Central,
Sheung Wan,
Hong Kong

COMPANY SECRETARY

Cheung Ying Kwan

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong law
Herbert Smith Freehills
As to PRC law
Chen & Co Law Firm

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Lee Ting Bun Denny *(Chairperson)*
Pan Liansheng
Ren Ruxian

REMUNERATION COMMITTEE

Pan Liansheng *(Chairperson)*
Lee Ting Bun Denny
Ren Ruxian

NOMINATION COMMITTEE

Ren Ruxian *(Chairperson)*
Lee Ting Bun Denny
Pan Liansheng

AUTHORIZED REPRESENTATIVES PURSUANT TO THE LISTING RULES

Kwong Wai Sun Wilson
Cheung Ying Kwan

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor,
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China
Mianyang Commercial Bank
Huarong Xiangjiang Bank
China Merchants Bank
Youxian Rural Credit Cooperative Association

COMPANY WEBSITE

http://www.cmru.com.cn

STOCK CODE

1636

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue	**10,186,358**	11,694,871
Net profit/(loss) attributable to the shareholders of the Company	**(156,150)**	44,026
Earnings/(loss) per share	**RMB(0.06)**	RMB0.02

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000	Change
Cash and cash equivalents	**47,051**	64,703	-27.3%
Total assets	**6,141,237**	5,200,642	18.1%
Total liabilities	**4,501,356**	3,390,555	32.8%
Total Equity	**1,639,881**	1,810,087	-9.4%

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Net profit/(loss) margin	**(1.53)%**	0.38%
Return on equity	**(18.3)%**	4.5%

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Inventory turnover days	**17.1**	7.5
Receivables turnover days	**20.5**	15.7
Payables turnover days	**15.3**	8.3
Current ratio	**1.1**	1.3
Quick ratio	**0.8**	1.1
Debt to equity ratio*	**110.7%**	93.8%
Net debt to equity ratio#	**107.8%**	90.3%

* Total interest-bearing debts/Total equity.

\# Total interest-bearing debts less cash and cash equivalents/Total equity.

BUSINESS REVIEW

The Coronavirus Disease 2019 ("COVID-19") pneumonia epidemic has caused a major impact on the world economy, creating the biggest challenge only second to the Great Depression. In this context, China's economic growth in the first half of 2020 has dropped to the lowest level in history, and real GDP has fallen by 1.6% year-on-year. This is the first half-year negative growth since the establishment of the GDP quarterly accounting system in 1992, the shock to the Chinese economy is far exceeding the impact from the international financial crisis in 2008. The decline in industrial production across China has led to a significant reduction in the demand for basic raw materials, especially metal materials. Therefore, the Group recorded a decrease in copper product sales by 12.7% in the first half of 2020 as compared to the first half of 2019. Along with the decrease in production and sales volume of recycled copper products, VAT refunds under the Comprehensive Utilisation of Resources Policy also recorded a corresponding decrease in the first half of 2019. In addition, the tight liquidity situation of customers has prolonged the aging of trade receivables, as such, the bad debt provision ratio has also increased accordingly. In this difficult environment, the Group recorded a net loss of approximately RMB156 million.

FUTURE PROSPECTS/OUTLOOK

Although China cannot stand alone in the current global economic contraction, China's measures in epidemic prevention and control, and resumption of work/production are visionary, forward-looking and effective, and as a result, its economy continues to recover. In the second quarter, the GDP growth rate rebounded to positive 3.2% year-on-year. Among the GDP components, manufacturing industry rebounded to positive 3.2%, and the construction industry rebounded to positive 7.8%, all better than market expectations.

As far as the Group's businesses are concerned, the outbreak has so far caused operational delays. The Group has put in place contingency measures to reduce the impact from this outbreak. However, the situation remains fluid at this stage. As a result, we expect our operating environment to be challenging in the second half of the year. In order to further support the Group's business development, the management is implementing a series of financing plans to consolidate our financial strength so that we will be able to cope with possible headwinds as well as being able to take advantage of future opportunities if and when they arise.

HUMAN RESOURCES

As at 30 June 2020, the Group had a total of approximately 766 employees (31 December 2019: 847). The Group's staff costs for the six months ended 30 June 2020 were approximately RMB22.2 million. The Group offers competitive remuneration schemes to its employees. In addition, discretionary bonuses and share options may also be granted to eligible employees based on individual and the Group's performance. The Group is committed to nurturing a learning and sharing culture across its organization. Heavy emphasis is placed on the training and development of individual employees and team building, as the Group's success is dependent on the contribution of all functional divisions comprising skilled and motivated professionals. The Group is also committed to social responsibility by employing disabled staff and providing appropriate working conditions and protection to them.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

FINANCIAL REVIEW

REVENUE

Our revenue represents the fair value of consideration received or receivable for sales of goods and services in the ordinary course of business. Revenue is shown net-of-VAT and other taxes, returns and discounts after eliminating sales within our Group.

The following table sets forth an analysis of our revenue:

	For the six months ended 30 June	
	2020 **RMB'000**	2019 RMB'000
Sales from trading of electrolytic copper	**8,209,482**	8,315,856
Sales of recycled copper products	**1,955,972**	3,323,894
Sales of power transmission and distribution cables	**9,582**	16,445
Sales of communication cables	**8,751**	16,534
Sales of scrap materials	**1,633**	17,977
Others	**938**	4,165
	10,186,358	11,694,871

Revenue for the six months ended 30 June 2020 amounted to RMB10,186.4 million, representing a decrease of 12.9% from RMB11,694.9 million for the six months ended 30 June 2019.

Revenue from copper products amounted to RMB10,165.4 million (including revenue from trading of electrolytic copper of RMB8,209.5 million and revenue from recycled copper products of RMB1,955.9 million) for the six months ended 30 June 2020, representing a decrease of 12.7% from RMB11,639.8 million for the six months ended 30 June 2019, reflecting mainly a decrease of 5.8% in the sales volume of all copper products from 273,665 metric tons for the six months ended 30 June 2019 to 257,664 metric tons for the six months ended 30 June 2019, and a decrease of 7.2% in average selling price from RMB42,532 per ton for the six months ended 30 June 2019 to RMB39,452 per ton for the six months ended 30 June 2020.

Revenue from sales of power transmission and distribution cables amounted to RMB9.6 million for the six months ended 30 June 2020, representing a decrease of 41.7% from RMB16.4 million for the six months ended 30 June 2019. Revenue from sales of communication cables amounted to RMB8.8 million for the six months ended 30 June 2020, representing a decrease of 47.1% from RMB16.5 million for the six months ended 30 June 2019.

PROFIT/(LOSS) FOR THE PERIOD

Our loss for the six months ended 30 June 2020 was RMB156.2 million as compared to profit for the six months ended 30 June 2019 was RMB44.0 million. The decrease was mainly due to the suspension of production following the outbreak of Coronavirus Disease 2019 ("COVID-19") in early of 2020. PRC has implemented a series of precautionary and control measures that have caused certain impacts on PRC's business and economic activities. Financial costs also increased by approximately RMB19.7 million as compared to the same period last year, primarily due to the increase in overall borrowings.

CAPITAL STRUCTURE

As at 30 June 2020, the capital structure of the Group mainly consisted of shareholders' equity, bank and other borrowings and finance leases and convertible bonds. There is no material seasonality of borrowing requirements for the Group. The following table details the interest rate profile of the Group's total interest-bearing borrowings at the end of reporting periods:

	As at 30 June 2020		As at 31 December 2019	
	Weighted average effective interest rate %	**Amount RMB'000**	Weighted average effective interest rate %	Amount RMB'000
Fixed rate borrowings:				
Notes payable	**12.13**	**97,113**	13.00	30,457
Interest-bearing bank and other borrowings	**7.50**	**1,011,826**	7.19	1,025,111
Loan from related parties	**4.35**	**130,480**	–	–
Lease liabilities	**42.50**	**4,763**	38.81	6,535
Liability component of convertible bonds	**12.00**	**571,326**	24.00	636,524
Total fixed rate borrowings		**1,815,508**		1,698,627

As at 30 June 2020, the Group's interest-bearing bank and other borrowings and finance lease payables were denominated in RMB but the convertible bonds, loan from a related party and notes payable were denominated in HKD, with an aggregate principal amount of HK$702.3 million.

The following table sets forth the maturity profile of the Group's interest-bearing borrowings at the dates indicated:

	As at 30 June 2020						As 31 December 2019				
	Loan from related parties RMB'000	Notes payable RMB'000	Interest-bearing bank and other borrowings RMB'000	lease liabilities RMB'000	Liability component of convertible bonds RMB'000	Total RMB'000	Notes payable RMB'000	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Liability component of convertible bonds RMB'000	Total RMB'000
Within one year or repayable on demand	130,480	97,113	10.11.826	1,766	571,326	1,812,511	30,457	1,025,111	3,174	636,524	1,695,266
After one year but within two years	–	–	–	998	–	998	–	–	812	–	812
After two years but within five years	–	–	–	1,999	–	1,999	–	–	2,549	–	2,549
	130,480	97,113	10.11.826	4,763	571,326	1,815,508	30,457	1,025,111	6,535	636,524	1,698,627

EXTENSION OF TERM OF CONVERTIBLE BONDS

On 22 April 2020, the Company and the holders of convertible bonds in the aggregate principal amount of HK$600,000,000 issued to China Huarong International Holdings Limited ("Huarong") and Prosper Rich Investments Limited ("Prosper Rich") by the Company on 11 August 2017 (the "August 2017 CBs") CBs entered into an amendment and extension agreements to conditionally extend the maturity date of the August 2017 CBs. The amendment and extension of term of convertible bonds issued to Huarong and Prosper Rich were completed on 7 May 2020. Following the completion, the maturity date of convertible bonds issued to Huarong and Prosper Rich have been extended to 11 August 2020. The convertible bonds issued to Huarong matured on 11 August 2020. On 9 July 2020, the Company had entered into a non legally binding letter of intent with Huarong pursuant to which the parties are in the process of discussion a possible extension of the maturity date of such convertible bond. As of the date of this report, the discussion with Huarong of a potential extension is still ongoing. Please refer to the announcements of the Company dated 22 April 2020, 27 April 2020 and 7 May 2020 for further details.

On 28 April 2020, the Company has entered into a subscription agreement with a convertible bond holder, Prosper Rich. According to the subscription agreement, the Company would issue a note in the principal amount equivalent to the outstanding liabilities owed by the Group to Prosper Rich on the revised maturity date of the August 2017 CBs, interest-bearing at 14% per annum and due for repayment one year after the issuance date. The final execution of the note subscription is subject to the redemption or conversion of the August 2017 CBs owed to a convertible bond holder, Huarong, in the principal amount of HK$390 million upon the maturity date of 11 August 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group's cash and cash equivalents (excluding pledged deposits of RMB525.6 million) amounted to RMB47.1 million (as at 31 December 2019: RMB64.7 million).

The Group's inventories increased by RMB807 million to RMB1,370.8 million (as at 31 December 2019: RMB563.8 million). During the six months ended 30 June 2020, the inventory turnover days were 17.1 days as compared with 7.5 days for the year ended 31 December 2019. Such increase was mainly attributable to excess inventory as a result of lower sales affected by the outbreak of COVID-19.

Trade and bills receivables decreased by RMB71.9 million to RMB1,117.1 million (as at 31 December 2019: RMB1,189.0 million). During the six months ended 30 June 2020, the receivables turnover days were 20.5 days as compared with 15.7 days for the year ended 31 December 2019. The increase in receivable turnover days was due to was mainly due to the slow repayment from major customers during the period as a result of COVID-19.

Trade and bills payables increased by RMB612.2 million to RMB1,172.1 million as at 30 June 2020 (as at 31 December 2019: RMB559.9 million) while the payable turnover days were 14.2 days, compared with 8.3 days for the year ended 31 December 2019. The increase in payable turnover days as company to last year was mainly due to the slow payment to suppliers by the Group as a result of COVID-19.

The Group's total interest-bearing borrowings increased by RMB116.9 million to RMB1,815.5 million as at 30 June 2020 (31 December 2019: RMB1,698.6 million). The increase was mainly due to the increase of bank loans and other borrowings.

Bank loans and other borrowings included three entrusted loans totaled approximately RMB300.0 million from Mianyang Science Technology City Development Investment (Group) Co., Ltd. ("Kefa"). Pursuant to the entrusted loan agreement signed among Mianyang Tongxin Copper Co., Ltd. ("Tongxin"), a wholly owned subsidiary of the Company, Kefa and the entrusted bank, the entrusted loans expired on 27 August 2016, 23 September 2016 and 18 November 2016 respectively. Kefa, the entrusted bank and Tongxin have agreed that, the entrusted loan would not be repayable until further agreed otherwise. On 16 July 2020, the Company has entered into a non-legally binding framework agreement with Kefa, a state-owned enterprise in the PRC. Under the framework agreement, it is intended, among others, that Kefa will subscribe for shares of the Company for a consideration of more than RMB300 million. The intended uses of the proceeds from Kefa will include, but not be limited to, the repayment of entrusted loans amounting to approximately RMB299 million as at 30 June 2020 owed by the Group to Kefa.

The following table sets forth certain financial ratios of the Group as at the dates indicated:

	As at 30 June 2020	As at 31 December 2019
Current ratio	**1.1**	1.3
Quick ratio	**0.8**	1.1
Debt to equity ratio*	**110.7**	93.8%
Net debt to equity ratio#	**107.8**	90.3%

* Total interest-bearing debts/Total equity.

\# Total interest-bearing debts less cash and cash equivalents/Total equity.

The decrease of quick ratio as at 30 June 2020 compared with those as at 31 December 2019 was primarily attributable to the increase in inventory from RMB563.8 million as at 31 December 2019 to RMB1,370.8 million as at 30 June 2020.

The increase in debt to equity ratio as at 30 June 2020 increased as compared with that as at 31 December 2019 was attributed to the increase in interest bearing bank and other borrowings.

CHARGE ON ASSETS

The following table sets forth the net book value of assets under pledge for certain banking facilities, bills payable facilities, contractual liabilities, obligations under finance leases and outstanding futures contracts as at the dates indicated:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Property, plant and equipment	**422,342**	424,508
Right-of-use assets	**96,530**	91,429
Inventories	**163,566**	163,566
Trade receivables	**373,539**	332,023
Deposits with guarantee companies	**1,575**	1,575
Deposits with banks	**12,900**	12,900
Deposit with other companies	**29,566**	28,507
	1,100,018	1,054,508

COMMODITY RISK

The major raw materials used in the production of our recycled copper products are scrap copper. We are exposed to fluctuations in the prices of raw materials as well as finished goods which are influenced by global as well as regional supply and demand conditions. Fluctuations in the copper prices could adversely affect our financial performance. The Group uses copper futures contracts to mitigate part of its exposure against price fluctuations of copper. The market value of futures contracts is based on the quoted market price as at the date of consolidated statement of financial position. The Group did not have any outstanding copper futures contracts as at 30 June 2020 (as at 31 December 2019: Nil). Net loss of RMB0.3 million was recognized for the six months ended 30 June 2020 (six months ended 30 June 2019: net loss of RMB0.1 million) from futures contracts.

FOREIGN CURRENCY RISK

The functional currency of a majority of the entities within our Group is RMB and most of the transactions are settled in RMB. However, we are exposed to currency risk primarily related to the cash and cash equivalents, loan from a related party, note payable, the convertible bonds and contingent consideration liabilities, all of which are mainly denominated in HKD. The balance of cash and cash equivalents as at 30 June 2020 including HK$0.7 million and USD9,316 (in total equivalent to approximately RMB0.7 million) were held in banks in Hong Kong.

As at 30 June 2020, the Group's interest-bearing bank and other borrowings and finance lease payables were denominated in RMB but the convertible bonds, loan from a related party and notes payable were denominated in HKD, with an aggregate principal amount of HK$702.3 million. During the year ended 31 December 2018, the Group has completed the acquisitions of certain target groups, the considerations are subject to adjustment pursuant to earn-out arrangements and will be settled partly by cash considerations in HKD and partly by allotment and issue of consideration shares which are denominated in HKD. The Group did not commit to any financial instruments to hedge its foreign exchange exposure during the six months ended 30 June 2020. During the six months ended 30 June 2020, the Company incurred an exchange difference on translation of financial statements of entities outside of mainland China equivalent to RMB14.1 million, part of which was resulted from translating the note playable, loan from a related party, convertible bonds and contingent consideration liabilities from HKD to RMB.

SIGNIFICANT INVESTMENTS HELD

Saved as disclosed elsewhere in this report, except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interests in any other companies during the six months ended 30 June 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

SILVER EMINENT GROUP LIMITED ("SILVER EMINENT")

On 15 December 2017, the Company entered into the Sale and Purchase Agreement with Yuanxin Ventures Limited ("Yuanxin"), pursuant to which the Company agreed to purchase, and Yuanxin agreed to sell, 100% of the issued share capital in Silver Eminent for an aggregate maximum consideration of HK$317,647,000, of which HK$158,823,500 shall be settled in cash and HK$158,823,500 shall be settled by way of allotment and issue of consideration shares. The consideration is subject to adjustment pursuant to the earn-out arrangement. Assuming the maximum number of consideration shares is being allotted and issued to Yuanxin, 41,796,000 shares will be issued under the Sale and Purchase Agreement. Silver Eminent owns 100% equity interests in Mianyang Zhaofeng Copper Co., Ltd. ("Zhaofeng") The transaction has been completed in March 2018. Please refer to the announcement of the Company dated 15 December 2017 and 29 December 2017 for further details.

For the year ended 31 December 2018, Silver Eminent and its subsidiaries made a net loss of RMB10,169,000 under IFRS, as such, no consideration shares were issuable to Yuanxin in 2018 under the sale and purchase agreement.

For the year ended 31 December 2019, Silver Eminent and its subsidiaries made a net profit of RMB13,190,000 under IFRS, as such, no consideration shares are issuable to Yuanxin in 2019 under the sale and purchase agreement.

The number of consideration shares for the second year to be issued, if any, is calculated on the following mathematic formula under the sale and purchase agreement:

$$(A \div B) \times (C + D \times HK\$3.8) - (C + E \times HK\$3.8)/HK\$3.8$$

A = actual net profits of the target for the first and second years
B = performance target for the first and second years, i.e. RMB55,000,000
C = cash consideration, i.e. HK$158,823,500
D = the maximum number of consideration shares to be issued for the first and second years, i.e. 25,542,000 Shares
E = the number of consideration shares already issued for the first year, i.e. nil Shares

VALUE LINK DEVELOPMENTS LIMITED ("VALUE LINK")

On 7 February 2018, the Company entered into a sale and purchase agreement with Sure Victor, pursuant to which the Company agreed to purchase, and Sure Victor agreed to sell, 100% of the issued share capital in Value Link for an aggregate maximum consideration of HK$741,175,000, of which HK$287,647,000 shall be settled in cash and

HK$453,528,000 shall be settled by way of allotment and issue of consideration shares. The consideration is subject to adjustment pursuant to an earn-out arrangement. Assuming the maximum number of consideration shares is being allotted and issued to Sure Victor, 94,485,000 shares will be issued under the Sale and Purchase Agreement. Value Link owns 100% equity interests in Hubei Rongsheng Copper Co., Ltd. ("Rongsheng") The transaction has been completed in April 2018. Please refer to the announcement of the Company dated 7 February 2018 for further details.

For the year ended 31 December 2018, Value Link and its subsidiaries made a net profit of RMB41,223,450 under IFRS, as such, 16,609,419 consideration shares were issued to Sure Victor under the sale and purchase agreement.

For the year ended 31 December 2019, Value Link and its subsidiaries made a net profit of RMB20,530,000 under IFRS, as such, no additional consideration shares will be issued to Sure Victor under the sale and purchase agreement.

The number of consideration shares for the second year to be issued, if any, is calculated on the following mathematic formula under the sale and purchase agreement:

$$(A \div B) \times (C + D \times HK\$4.8) - (C + E \times HK\$4.8)/HK\$4.8$$

A = actual net profits of the target for the first and second years
B = performance target for the first and second years, i.e. RMB105,000,000
C = cash consideration, i.e. HK$287,647,000
D = the maximum number of consideration shares to be issued for the first and second years, i.e. 55,116,000 Shares
E = the number of consideration shares already issued for the first year, i.e. 16,609,419 Shares

SKY HARVEST GLOBAL LIMITED ("SKY HARVEST")

On 19 October 2018, the Company entered into the Sale and Purchase Agreement with Advance Splendid Limited ("Advance Splendid"), pursuant to which the Company agreed to purchase, and Advance Splendid agreed to sell, 100% of the issued share capital in the Sky Harvest for an aggregate maximum consideration of HK$509,164,969, of which HK$180,000,000 shall be settled in cash and HK$329,164,969 shall be settled by way of allotment and issue of Consideration Shares. The consideration is subject to adjustment pursuant to an earn-out arrangement. Assuming the maximum number of consideration shares is being allotted and issued to Advance Splendid, 65,833,000 shares will be issued under the Sale and Purchase Agreement. Sky Harvest owns 100% equity interests in Chengxin Copper Copper Co., Ltd. ("Chengxin") The transaction has been completed in November 2018. Please refer to the announcement of the Company dated 19 October 2018, 31 October 2018 and 16 November 2018 for further details.

For the year ended 31 December 2019, Sky Harvest and its subsidiaries made a net profit of RMB5,631,000 under IFRS, as such, no consideration shares are issuable to Advance Splendid under the sale and purchase agreement.

The number of consideration shares for the first year to be issued, if any, is calculated on the following mathematic formula under the sale and purchase agreement:

$$(A \div B) \times (C + D \times \text{HK\$}5.0) - C/\text{HK\$}5.0$$

A = actual net profits of the target for the first year
B = performance target for the first year, i.e. RMB35,000,000
C = cash consideration, i.e. HK$180,000,000
D = the maximum number of consideration shares to be issued for the first year, i.e. 15,361,000 Shares

During the six months ended 30 June 2020, the Group did not have any material acquisition or disposal of subsidiaries and affiliated companies.

CAPITAL EXPENDITURES

For the six months ended 30 June 2020, the Group's capital expenditures represent additions to property, plant and equipment (including construction in progress) and right of use of assets in respect of land use right of approximately RMB14.9 million (2019: RMB4.9 million). The capital expenditures were mainly financed from internal resources.

CAPITAL COMMITMENTS

As at 30 June 2020, the capital commitments in respect of the acquisition of property, plant and equipment and right of use of assets in respect of land contracted for but not provided in the consolidated financial statements amounted to RMB40.2 million (as at 31 December 2019: RMB40.4 million).

CONTINGENT LIABILITIES

Other than the contingent considerations of three acquisitions as mentioned above, the Group had no material contingent liabilities as at 30 June 2020.

EQUITY LINKED AGREEMENTS

SHARE OPTION SCHEME

Details of the Share Option Scheme of the Company are set out in the section below headed "SHARE OPTION SCHEMES".

WARRANTS ISSUED IN 2015

On 19 January 2015, the Company issued 133,650,000 warrants to 7 subscribers at an issue price of HK$0.001 per warrant. Each warrant will entitle its holder to subscribe for one share of the Company at a subscription price of HK$1.30 per share. The warrants will be vested in phases according to the vesting conditions. The vesting condition is that the suppliers shall carry out the transactions under their respective annual procurement agreements, pursuant to which the suppliers in aggregate, agree to supply 49,500 tons of copper scrap raw materials to the Group in 2015 at a fixed discount of RMB1,000 per ton. Please refer to the announcement of the Company dated 19 December 2014 for further details. The warrants had been expired on 20 January 2020. As at 30 June 2020, there was no outstanding warrants.

Movements of the warrants during the six months ended 30 June 2020 are as follows:

Issue date of the warrants	Exercise price HK$	Number of warrants held at 1 January 2020	Exercised	Expired	Number of warrants held at 30 June 2020	Funds raised from the exercise of warrants HK$'000
19 January 2015	1.30	9,612,578	–	(9,612,578)	–	–

ISSUE OF CONVERTIBLE BONDS ON 12 APRIL 2017

On 12 April 2017, the Company issued convertible bonds with an aggregate principal amount of HK$250,000,000. The convertible bonds bear a fixed interest rate of 12% with interest to be paid on a quarterly basis. The original maturity date of the convertible bonds is the first anniversary of the issue date, subject to the bondholder's right to extend the maturity date initially for a period of up to one year (the "Extended Maturity") and also for a period of up to one year after the Extended Maturity by notice in writing to the Company (the "Further Extended Maturity"). The bondholder has the right to convert the principal amount of the convertible bonds into ordinary shares of HK$0.1 each of the Company from the first business day following the first anniversary of the issue date up to and including the day preceding the Extended Maturity of Further Extended Maturity at an initial conversion price of HK$3.0 per share (subject to adjustment). Please refer to the announcements of the Company dated 9 April 2017 and 12 April 2017 for further details.

As disclosed in the announcement of the Company dated 11 August 2017, on the same day, the Company has redeemed the convertible bonds in the principal amount of HK$135,000,000 (the "Early Redemption").

In respect of the convertible bonds in the aggregate principal amount of HK$115,000,000 issued by the Company under the subscription agreement signed on 9 April 2017 ("Tranche II Convertible Bonds"), the Tranche II Convertible Bonds in the principal amount of HK$35,000,000, together with the interest accrued thereon, has been repaid by the Company on 12 April 2018. In addition, the Company is notified by Leading Sky Holdings Limited on 11 April 2018 that Leading Sky Holdings Limited has transferred the Remaining Tranche II Convertible Bonds to Peaceful and Peaceful has exercised its right to extend the maturity date of the Remaining Tranche II Convertible Bonds for two (2) year in accordance with the Tranche II Convertible Bonds terms and conditions. The Remaining Tranche II Convertible Bonds has been redeemed through refinancing and was cancelled. For detail, please refer to the announcement of the Company dated 12 April 2018, 12 April 2019 and 14 April 2020.

ISSUE OF THE HUARONG CONVERTIBLE BONDS ON 11 AUGUST 2017

On 11 August 2017, the Company issued convertible bonds with an aggregate principal amount of HK$400,000,000 to Huarong ("Huarong CB 2017"). The convertible bonds bear a fixed interest rate of 8% with interest to be paid on a quarterly basis. The convertible bonds will expire at the second anniversary of the issue date and are convertible into ordinary shares of HK$0.10 each in the issued share capital of the Company at an initial conversion price of HK$2.99 per share (subject to adjustment). As of 31 December 2019, the outstanding principal amount of Huarong CB 2017 was HK$390,000,000. On 22 April 2020, the Company and Huarong into an amendment and extension agreement to conditionally extend the maturity date of the Huaraong CB 2017. The amendment and extension of term of Huarong CB 2017 were completed on 7 May 2020. Following the completion, the maturing date of Huarong CB 2017 have been extended to 11 August 2020. The Huarong CB 2017 matured on 11 August 2020. On 9 July 2020, the Company had entered into a non-legally binding letter of intent with Huarong pursuant to which the parties are in the process of discussion a possible extension of the maturity date of Huarong CB 2017. As of the date of this annual report, the discussion with Huarong of a potential extension is still ongoing. Please refer to the announcements of the Company dated 31 July 2017, 11 August 2017, 22 April 2020, 27 April 2020 and 7 May 2020 for further details.

On 8 August 2017, Epoch Keen, a company wholly owned by Mr. Yu Jianqiu, entered into a share charge ("2017 Share Charge") with Huarong, pursuant to which Epoch Keen charged 278,000,000 ordinary shares of the Company in favour of Huarong as security for the payment and discharge of obligations owing from the Company to Huarong pursuant to, amongst others, the subscription agreement of Huarong CB 2017. Pursuant to the amendment agreement entered between the Company and Huarong, confirmation deed have been entered to re-confirm the 2017 Share Charge. Please refer to the announcements the Company dated 8 August 2017, 22 April 2020, 27 April 2020 and 7 May 2020 for further details.

ISSUE OF THE PROSPER RICH CONVERTIBLE BONDS ON 11 AUGUST 2017

On 11 August 2017, the Company issued convertible bonds with an aggregate principal amount of HK$200,000,000 to Prosper Rich. The convertible bonds bear a fixed interest rate of 8% with interest to be paid on a quarterly basis. The convertible bonds will expire at the second anniversary of the issue date and are convertible into ordinary shares of HK$0.10 each in the issued share capital of the Company at an initial conversion price of HK$2.99 per share (subject to adjustment). As of 31 December 2019, the outstanding principal amount of Prosper Rich Convertible Bonds 2017 was HK$200,000,000. On 28 April 2020, the Company has entered into a subscription agreement with Prosper Rich. According to the subscription agreement, the Company would issue a note in the principal amount equivalent to the outstanding liabilities owed by the Group to Prosper Rich on the revised maturity date of the convertible bonds issued to Prosper Rich, interest-bearing at 14% per annum and due for repayment one year after the issuance date. The final execution of the note subscription is subject to the redemption or conversion of the convertible bonds issued to Huarong in the principal amount of HK$390 million upon the maturity date of 11 August 2020. Please refer to the announcements of the Company dated 31 July 2017 and 11 August 2017 for further details.

The Directors are of the view that the above convertible bonds issue represented good opportunities for the Company to raise funds to strengthen its financial position and to finance the Group's future development and expansion. The Directors consider that raising funds by way of issuing the convertible bonds would enable the Company to obtain funds with a lower financial cost considering the recent debt and equity market conditions.

SIGNING OF ANNUAL PROCUREMENT AGREEMENTS INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

On 15 June 2018, the Company entered into respective annual procurement agreements with fourteen suppliers, pursuant to which each supplier agreed to supply a target amount of copper scrapped raw materials to the Company from 16 June 2018 to 15 June 2019, the purchase price of which shall be partly satisfied with cash and partly satisfied with consideration shares. For each ton of copper scrap raw materials supplied by a supplier, the Company will pay (i) up to RMB3,000 by way of issuance of a maximum number of 734 consideration shares at an issue price of HK$5 per consideration share; and (ii) the remainder of the balance in cash. The arrangements under the annual procurement agreements are expected to encourage such suppliers to achieve the targeted raw material supply amount with a view to broadening the Group's supplier base to cater for the Group's production needs. As the targeted amount of supply of copper scrap raw materials from the suppliers is 160,000 tons in aggregate, the maximum number of consideration shares that the Company may issue pursuant to the annual procurement agreements is 117,440,000 shares. The Company is in the process of confirming the amount of cooper scrapped raw materials supplied by each of the suppliers. Once this process is completed, relevant consideration shares will be allotted and issued to the respective subscribers. Each of the subscribers is a wholly-owned company of the relevant supplier. Please refer to the announcement of the Company dated 15 June 2018 for further details.

SIGNING OF SALE AND PURCHASE AGREEMENT INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

Details of the consideration shares under earn-out arrangements in the acquisitions of 100% issued share capital of Silver Eminent, Value Link and Sky Harvest are set out in the section above headed "MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES" in this report.

PROPOSED SUBSCRIPTION OF SHARES BY TAISEI BUSINESS SOLUTIONS PTE. LTD.

On 14 April 2020, the Company entered into a subscription agreement ("Subscription Agreement") with an independent third party, Taisei Business Solutions Pte. Ltd. ("Taisei Business"), a company incorporated in Singapore, pursuant to which the Company has conditionally agreed to issue 325,000,000 ordinary shares of HK$0.1 at the price of HK$2.68 per share to Taisei Business. The estimated net proceeds from the issue of these shares amounted to HK$840,515,000 (equivalent to RMB752,933,000). The subscription price of HK$2.68 per subscription share represents a discount of approximately 8.84% to the closing price of HK$2.94 per Share as quoted on the Stock Exchange on 14 April 2020, being the date of the Subscription Agreement. The Company considered that the proposed subscription, if materialised, would allow immediate cash inflow into the Group without any interest burden. The net proceeds from the subscription, after deduction of related expenses, are estimated to be approximately HK$840,515,000. The net subscription price (net of expenses) is approximately HK$2.5862 per subscription share.

On 6 May 2020, the Company and Taisei Business entered into an amendment letter, pursuant to which the long stop date of the Subscription Agreement is extended to 30 June 2020, and Taisei Business has agreed to place not less than HK$100,000,000 to the Company in cash as a non-refundable deposit ("Deposit") in relation to the share subscription.

Pursuant to the Subscription Agreement (and as amended by the amendment letter), the long stop date of the subscription was 30 June 2020. As the long stop date has passed, the subscription has lapsed, and the subscription will not proceed.

As at the date of this interim report, the Company has not received the Deposit from the Subscriber. The Company is in discussion with Taisei Business, and the Board is considering potential next steps. Further announcements will be made by the Company in relation to its next steps in respect of the subscription as and when appropriate in accordance with the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

(a) Since the outbreak of COVID-19 in early of 2020, PRC has implemented a series of precautionary and control measures with have certain impacts on PRC's business and economic activities. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group.

(b) On 1 July 2020, the Company entered into a non-legally binding framework agreement with Mianyang Fule Investment Co., Ltd. ("Fule"), a state-owned enterprise in the PRC. Under the framework agreement, it is intended, among others, that Fule will subscribe for shares of the Company for a consideration of more than RMB298 million. The intended uses of the proceeds from Fule will include, but not be limited to, the repayment of advances in the principal amount of up to RMB298 million owed by the Group to Fule. On 20 July 2020, the Company and Fule entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue and Fule has conditionally agreed to subscribe for 618,490,456 shares of the Company at a price of HK$0.53 per share. Please refer to the announcement of the Company dated 2 July 2020 and the circular of the Company dated 25 August 2020 for further details.

(c) On 16 July 2020, the Company has entered into a non-legally binding framework agreement with Mianyang Science Technology City Development Investment (Group) Co. Ltd ("Kefa"), a state-owned enterprise in the PRC. Under the framework agreement, it is intended, among others, that Kefa will subscribe for shares of the Company for a consideration of more than RMB300 million. The intended uses of the proceeds from Kefa will include, but not be limited to, the repayment of entrusted loans amounting to approximately RMB299 million as at 31 December 2019 owed by the Group to Kefa.

Except for the above, there is no significant event subsequent to 30 June 2020 which would materially affect the Group's operating and financial performance as at the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2020, the interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO"), of the directors and chief executives of the Company which would have to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

(1) LONG POSITIONS IN THE ORDINARY SHARES OF THE COMPANY:

Name of Director	Capacity/ Nature of interest	Number of shares held	Approximate percentage of shareholdings(1)
Mr. Yu Jianqiu	Interest in a controlled corporation(2)	645,722,400	24.54%
	Beneficial owner	6,204,000	0.23%
Mr. Huang Weiping	Interest in a controlled corporations(3)	310,317,000	11.79%
Mr. Kwong Wai Sun Wilson	Beneficial owner	3,272,600	0.12%

Notes:

(1) The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2020.

(2) The shares were held by Mr. Yu Jianqiu, Chairman and an executive Director of the Company, together with Epoch Keen Limited, a company wholly-owned by Mr. Yu Jianqiu.

(3) The shares were held by First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited. All these companies are wholly-owned by Mr. Huang Weiping.

(2) LONG POSITIONS IN THE UNDERLYING SHARES OF THE COMPANY:

Name of Director	Capacity/ Nature of interest	Number of shares held	Approximate percentage of shareholdings(1)
Mr. Huang Weiping	Beneficial owner(4)	667,000	0.03%
Ms. Zhu Yufen	Beneficial owner(5)	3,334,000	0.13%
Mr. Kwong Wai Sun Wilson	Beneficial owner(6)	5,000,000	0.19%
Mr. Lee Ting Bun Denny	Beneficial owner(7)	1,000,000	0.04%
Mr. Pan Liansheng	Beneficial owner(8)	1,000,000	0.04%
Ms. Ren Ruxian	Beneficial owner(9)	1,000,000	0.04%

Notes:

(4) These equity derivatives were share options granted to Mr. Huang Weiping under the Share Option Scheme of the Company on 2 July 2014. Please see the section headed "Share Option Scheme" for further details.

(5) These equity derivatives were share options granted to Ms. Zhu Yufen under the Share Option Scheme of the Company on 2 July 2014. Please see the section headed "Share Option Scheme" for further details.

(6) These equity derivatives were share options granted to Mr. Kwong Wai Sun Wilson under the Share Option Scheme of the Company on 7 May 2015. Please see the section headed "Share Option Scheme" for further details.

(7) These equity derivatives were share options granted to Mr. Pan Liansheng under the Share Option Scheme of the Company on 7 May 2015. Please see the section headed "Share Option Scheme" for further details.

(8) These equity derivatives were share options granted to Mr. Lee Ting Bun Denny under the Share Option Scheme of the Company on 7 May 2015. Please see the section headed "Share Option Scheme" for further details.

(9) These equity derivatives were share options granted to Ms. Ren Ruxian under the Share Option Scheme of the Company on 31 May 2016. Please see the section headed "Share Option Scheme" for further details.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as otherwise disclosed in this report, no rights to acquire benefits by means of the acquisition of shares or debentures of the Company were granted to any director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate during the six months ended 30 June 2020.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

At 30 June 2020, the following persons (not being a director or chief executive of the Company) had interests of 5% or more of the issued share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

(1) LONG POSITIONS IN THE ORDINARY SHARES OF THE COMPANY:

Name	Note	Capacity in which interests are held	Number of shares held	Approximate percentage of shareholdings[(1)]
Quaetus Capital Pte Ltd	2	Interests in a controlled corporation	280,312,902	10.65%
Hammer Capital Private Investments Limited	3	Interests in a controlled corporation	153,828,000	5.85 %

Notes:

(1) The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2020.

(2) Quaetus Capital Pte Ltd is 80% controlled by Kwek Steven Poh Song.

(3) Each of Tsang Ling Kay Rodney and Cheung Siu Fai controls 50% of Hammer Capital Investments Limited.

(2) LONG POSITIONS IN THE UNDERLYING SHARES OF THE COMPANY:

Name	Note	Capacity in which interests are held	Number of shares held	Approximate percentage of shareholdings[(1)]
Mianyang Science Technology City Development Investment (Group) Co., Ltd.	1	Persons having a security interests in shares	310,317,000	11.79%
China Huarong Asset Management Co., Ltd	2	Interests in a controlled corporation	499,316,077	19.10%

Notes:

(1) On 15 August 2014, Ocean Through Limited, First Harvest Global Limited and Gold Wide Enterprises Limited, shareholders of the Company, has each entered into share charges in respect of their respective shareholding of 39,401,600, 167,952,400 and 102,963,000 shares of the Company in favour of Kefa as the secured party.

(2) Pursuant to Huarong CB 2017, assuming full conversion of the convertible bonds at an initial conversion price of HK$2.99 per share, the convertible bonds will be convertible into approximately 130,434,782 new shares (subject to adjustment).

On 8 August 2017, Epoch Keen Limited entered into a share charge with Huarong pursuant to which Epoch Keen Limited charged 278,000,000 shares in favour of the Huarong as security for the payment and discharge of obligations owing from the Company to the Investor pursuant to, amongst others, the Investor Subscription Agreement and the convertible bonds.

The shares are held by China Huarong Asset Management Co., Ltd. through Huarong Real Estate Co., Ltd., Huarong Zhiyuan Investment & Management Co., Ltd. and China Huarong International Holdings Limited.

Other than as disclosed above, as at 30 June 2020, the directors had not been notified by any person (not being the directors or chief executive of the Company) who had 5% or more interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") to provide incentive and/or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of the Company. The Share Option Scheme was conditionally approved by a written resolution of the then shareholders of the Company on 28 January 2014 and has come into effect upon the Company's Listing on 21 February 2014. The Scheme Mandate Limit was refreshed by a resolution passed at the annual general meeting held on 9 June 2015.

Details of share options granted, exercised, cancelled/lapsed and outstanding under the Share Option Scheme during the review period are as follows:

Category/name	Date of grant	Number of share options held at 1 January 2020	Changes during the period: Granted	Exercised	Lapsed/ Cancelled	Number of share options held at 30 June 2020	Exercise period	Exercise price HK$	Price of the share of the Company at the grant date of share options HK$
Directors									
Mr. Huang Weiping	2 July 2014	667,000	–	–	–	667,000	2 July 2014 to 1 July 2024	1.13	1.07
Ms. Zhu Yufen	2 July 2014	3,334,000	–	–	–	3,334,000	2 July 2014 to 1 July 2024	1.13	1.07
Mr. Kwong Wai Sun Wilson	7 May 2015	5,000,000	–	–	–	5,000,000	7 May 2015 to 6 May 2025	1.68	1.68
Mr. Pan Liansheng	7 May 2015	1,000,000	–	–	–	1,000,000	7 May 2015 to 6 May 2025	1.68	1.68
Mr. Lee Ting Bun Denny	7 May 2015	1,000,000	–	–	–	1,000,000	7 May 2015 to 6 May 2025	1.68	1.68
Ms. Ren Ruxian	31 May 2016	1,000,000	–	–	–	1,000,000	31 May 2016 to 30 May 2026	3.66	3.05
Eligible person other than directors									
Eligible persons other than directors	2 July 2014	7,927,000	–	–	(300,000)	7,627,000	2 July 2014 to 1 July 2024	1.13	1.07
Eligible persons other than directors	7 May 2015	80,870,000	–	–	(500,000)	80,370,000	7 May 2015 to 6 May 2025	1.68	1.68
Eligible persons other than directors	31 May 2016	30,590,000	–	–	(2,000,000)	28,590,000	31 May 2016 to 30 May 2026	3.66	3.05
Eligible persons other than directors	12 December 2017	2,104,098	–	–	(1,295,764)	808,334	12 December 2017 to 11 December 2022	3.70	3.70
Total		133,492,098	–	–	(4,095,764)	129,396,334			

VALUE OF SHARE OPTIONS

The fair value of the relevant share options granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the relevant share options were granted.

The following table sets out the inputs to the model used:

Grant date	2 July 2014		7 May 2015		31 May 2016			12 December 2017
	Share options granted to		Share options granted to		Share options granted to			Share options granted to
	Executive directors	Other employees	Executive directors	Other employees	Executive directors	Other employees	Certain eligible participants	Certain eligible participants
Fair value at measurement date (HK$)	0.44	0.39	0.71	0.58	1.22	1.17	1.45	1.45
Share price (HK$)	1.07	1.07	1.68	1.68	3.05	3.05	3.05	3.70
Exercise price (HK$)	1.13	1.13	1.68	1.68	3.66	3.66	3.66	3.70
Expected volatility	45.54%	45.54%	46.20%	46.20%	50.00%	50.00%	50.00%	41.61%
Expected life	10 years	10 years	10 years	10 years	10 years	10 years	10 years	6.3 years
Expected dividends	3%	3%	3%	3%	1.47%	1.47%	1.47%	0.92%
Risk-free interest rate based on Hong Kong Exchange Fund Notes)	2.059%	2.059%	1.745%	1.745%	1.286%	1.286%	1.286%	1.642%
Exercise multiple	2.8	2.2	2.8	2.2	2.8	2.2	–	–
Post-vesting exit rate	0%	5.44%	0%	16.12%	9.22%	9.22%	–	–

No other feature of the relevant Share Options was incorporated into the measurement of fair value.

The value of the relevant Share Options is subject to the limitations of the binomial model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate.

Further details relating to the Share Option Scheme and share options granted thereunder are set out in the announcements of the Company dated 2 July 2014, 7 May 2015, 31 May 2016 and 12 December 2017. Apart from the above, the Company had not granted any share options under the Share Option Scheme to any other persons as required to be disclosed under the Rule 17.07 of the Listing Rules during the six months ended 30 June 2020.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER PURSUANT TO RULE 13.17 OF THE LISTING RULES

On 8 August 2017, Epoch Keen entered into 2017 Share Charge with Huarong. Please refer to the announcement of the Company dated 8 August 2017 for further details.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the six months ended 30 June 2020.

CORPORATE GOVERNANCE

During the six months ended 30 June 2020, the Company has applied the principles of and is in compliance with all code provisions of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules save as disclosed below.

Code Provision A.2.1 provides that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive should be clearly established and set out in writing. Currently, Mr. Yu Jianqiu is both the Chairman and Chief Executive Officer of the Company. As Mr. Yu is the founder of the Group and has extensive experience in operations and management, the Board believes that it is in the best interest of the Group to have Mr. Yu taking up both roles for continuous effective management and business development of the Group.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding the directors' securities transactions on terms not less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, apart from Mr. Yu Jianqiu, all directors confirmed that they had complied with the required standards set out in the Model Code and the code of conduct regarding the directors' securities transactions throughout the six months ended 30 June 2020.

According to code provision A.3(a) of the Model Code, a Director must not deal in any securities of the Company on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results. According to code provision B.8 of the Model Code, a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement.

An executive Director, Mr. Yu Jianqiu, on 31 March 2020, had dealt in 261,008,000 shares of the Company which was in contravention of code provision A.3(a) and B.8 of the Model Code. In addition, during the period from 18 June 2020 and 30 June 2020, 128,292,000 shares of the Company of Mr. Yu Jianqiu and Epoch Keen Limited were disposed caused by forced/enforcement sales initiated by the relevant brokers pursuant to certain margin financing agreements entered into between Mr. Yu Jianqiu/Epoch Keen Limited and relevant brokers and Mr. Yu Jianqiu/Epoch Keen Limited was only informed of these disposal by the relevant brokers after the relevant disposal and/or immediately before the relevant disposals take place.

The Company has taken the following remedial steps to avoid the re-occurrance of similar incident:

- Communicated and reminded Mr. Yu Jianqiu that the blackout period will be extended to when the 2019 audit results of the Group is announced;

- Recirculated the Model Code to the Board and remind them of the procedures that they should follow should they wish to deal in the Company's shares; and

- Coordinated with Company's legal counsel to arrange a refresher training on directors' duties.

The Board considers that by adopting the aforesaid measures, would enable the Directors to obtain an understanding of the dealing restriction during the black-out period and the procedures that they need to follow before dealing in the securities of the Company. The Board therefore considered that the implementation of the above measures would minimize the chance of breach of the Model Code by the Directors in the future.

REVIEW OF INTERIM REPORT

The audit and corporate governance committee of the Company (the "Audit Committee") has three members, all of them are independent non-executive directors, namely Mr. Lee Ting Bun Denny (Chairman of the Audit Committee), Mr. Pan Liansheng and Ms. Ren Ruxian, with written terms of reference in compliance with the Listing Rules.

The primary duties of the Audit Committee are mainly to communicate with external auditor; to review the accounting policy, financial position and financial reporting procedures of the Group; and to assess the financial reporting system, internal control procedures and risk management function of the Group and make recommendations thereof.

The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2020.

ACKNOWLEDGEMENT

The Board would like to take this opportunity to express its gratitude to all shareholders and business associates for their continuous support and to all employees for their dedication and contribution to the Group.

By Order of the Board
China Metal Resources Utilization Limited
YU Jianqiu
Chairman

Hong Kong, 31 August 2020

Interim Condensed Consolidated Statement of Profit or Loss

(Expressed in Renminbi) For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenue	4	**10,186,358**	11,694,871
Cost of sales		**(10,245,200)**	(11,824,159)
Gross loss		**(58,842)**	(129,288)
Other income and gain, net	5	**52,274**	285,395
Selling and distribution expenses		**(5,042)**	(16,574)
Administrative expenses		**(62,708)**	(58,034)
Provision/(reversal) of provision for doubtful debts, net		**(6,970)**	54,766
Finance costs		**(97,946)**	(78,267)
Share of profits of associates		**362**	534
Profit/(Loss) before tax	6	**(178,872)**	58,532
Income tax expense	7	**22,722**	(14,506)
Profit/(Loss) for the period attributable to owners of the Company		**(156,150)**	44,026
Earnings/(loss) per share	8		
Basic (RMB)		**(0.06)**	0.02
Diluted (RMB)		**(0.06)**	0.02

The notes on pages 36 to 74 form part of this interim financial report.

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Profit/(Loss) for the period	**(156,150)**	44,026
Other comprehensive loss for the period		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent period:		
Exchange differences on translation of the Company	**(14,056)**	(5,061)
Total comprehensive income/(loss) for the period, attributable to owners of the Company	**(170,206)**	38,965

The notes on pages 36 to 74 form part of this interim financial report.

(Expressed in Renminbi) At 30 June 2020

	Note	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	9	575,565	599,234
Interests in associates		68,470	68,108
Goodwill		277,895	277,895
Right of use assets		119,142	122,779
Prepayments, other receivables and other assets	11	33,731	24,441
Deferred tax assets		18,949	16,605
		1,093,752	1,109,062
Current assets			
Inventories	10	1,370,792	563,799
Trade and bills receivables	11	1,117,073	1,189,037
Prepayments, other receivables and other assets	11	1,878,782	2,108,337
Amounts due from associates		771	15,261
Derivative financial instrument		107,451	107,451
Amounts due from related parties		–	10
Pledged deposits		525,565	42,982
Cash and cash equivalents		47,051	64,703
		5,047,485	4,091,580
Current liabilities			
Trade and bills payables	12	1,172,054	559,892
Note payable		97,113	30,457
Other payables and accruals	12	1,215,892	873,433
Contingent consideration liabilities		54,933	–
Interest-bearing bank and other borrowings	13	1,011,826	1,025,111
Lease liabilities		1,766	3,174
Amounts due to associates		91,894	32,801
Amount due to a related party		144,894	5,613
Liability component of convertible bonds		571,326	636,524
Tax payable		27,449	63,780
		4,389,147	3,230,785
Net current assets		658,338	860,795
Total assets less current liabilities		1,752,090	1,969,857

The notes on pages 36 to 74 form part of this interim financial report.

	Note	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Non-current liabilities			
Lease liabilities	13	**2,997**	3,361
Contingent consideration liabilities		**105,769**	151,305
Deferred government grants		**3,443**	4,007
Deferred tax liabilities		**–**	1,097
		112,209	159,770
NET ASSETS		**1,639,881**	1,810,087
EQUITY			
Share capital	14	**211,741**	211,741
Reserves		**1,428,140**	1,598,346
TOTAL EQUITY		**1,639,881**	1,810,087

The notes on pages 36 to 74 form part of this interim financial report.

Interim Condensed Consolidated Statement Of Changes In Equity

(Expressed in Renminbi) For the six months ended 30 June 2020

		Attributable to owners of the Company											
	Notes	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Share-based payment reserve RMB'000	Warrant reserve RMB'000	Convertible bonds equity reserve RMB'000	Consideration share reserve RMB'000	Accumulated losses RMB'000	Revaluation reserve RMB'000	Total equity RMB'000
At 1 January 2020		211,741	1,538,809	(78,118)	132,055	122,120	81,035	3,560	40,539	138,486	(380,140)	-	1,810,087
Loss for the year		-	-	-	-	-	-	-	-	-	(156,150)	-	(156,150)
Other comprehensive loss for the year:													
Exchange differences on translation of the Company and the foreign operations		-	-	(14,056)	-	-	-	-	-	-	-	-	(14,056)
Total comprehensive loss for the year		-	-	(14,056)	-	-	-	-	-	-	(156,150)	-	(170,206)
Expiry of warrant		-	-	-	-	-	-	(3,560)	-	-	3,560	-	-
Conversion of convertible bonds to note payable		-	-	-	-	-	-	-	(358)	-	358	-	-
Appropriation to statutory reserves		-	-	-	-	(1,207)	-	-	-	-	(1,207)	-	-
Lapse of share options		-	-	-	-	-	(3,396)	-	-	-	3,396	-	-
At 30 June 2020		211,741	1,538,809	(92,174)	132,055	123,327	77,639	-	40,181	138,486	(530,183)	-*	1,639,881

The notes on pages 36 to 74 form part of this interim financial report.

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Share-based payment reserve RMB'000	Warrant reserve RMB'000	Convertible bonds equity reserve RMB'000	Consideration share reserve RMB'000	Accumulated losses RMB'000	Revaluation reserve RMB'000	Total equity RMB'000
Balance at 31 December 2018	210,244	1,468,419	(62,783)	132,055	110,023	80,475	3,560	40,539	64,576	(150,931)	9,600	1,905,777
Effect of adoption of IFRS 16	–	–	–	–	–	–	–	–	–	(89)	–	(89)
At 1 January 2019 (restated) (unaudited)	210,244	1,468,419	(62,783)	132,055	110,023	80,475	3,560	40,539	64,576	(151,020)	9,600	1,905,688
Profit for the period	–	–	–	–	–	–	–	–	–	44,026	–	44,026
Other comprehensive loss	–	–	(5,061)	–	–	–	–	–	–	–	–	(5,061)
Total comprehensive income	–	–	(5,061)	–	–	–	–	–	–	44,026	–	38,965
Equity settled share-based transactions	–	–	–	–	–	1,059	–	–	–	–	–	1,059
Share options lapsed	–	–	–	–	–	(196)	–	–	–	196	–	–
Issuance of consideration shares	–	–	–	–	–	–	–	–	73,909	–	–	73,909
Appropriation of statutory reserve	–	–	–	–	11,662	–	–	–	–	(11,662)	–	–
Balance at 30 June 2019 (unaudited)	210,244	1,468,419	(67,844)	132,055	121,685	81,338	3,560	40,539	138,485	(118,460)	9,600	2,019,621

The notes on pages 36 to 74 form part of this interim financial report.

Interim Condensed Consolidated Statement of Cash Flow

(Expressed in Renminbi) For the six months ended 30 June 2020

	30 June 2020 (Unaudited) RMB'000	30 June 2019 (Unaudited) RMB'000
Net cash flows generated from/(used in) operating activities	**325,755**	(145,055)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(14,862)**	(4,867)
Interest received	**6,943**	277
Increase in contingent consideration liability	**115**	–
Net cash flows used in investing activities	**(7,804)**	(4,590)
FINANCING ACTIVITIES		
Proceeds from bank loans and other borrowings	**493,500**	209,871
Repayment of bank loans and other borrowings	**(456,709)**	(180,468)
Proceeds from new note payable	**12,684**	31,669
Repayment of note payable	**(30,804)**	(17,524)
Advance from related parties and associates	**212,863**	50,590
Increase/(decrease) in pledged deposits	**(482,582)**	4,801
Interest paid	**(81,955)**	(37,186)
Guarantee fees and other charges	**(16)**	(36)
Principal portion of lease liabilities/finance lease payments	**(2,641)**	(3,260)
Net cash flows generated from financing activities	**(335,660)**	58,457
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(17,709)**	(91,188)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**64,703**	112,935
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**57**	61
CASH AND CASH EQUIVALENTS AT 30 JUNE	**47,051**	21,808

The notes on pages 36 to 74 form part of this interim financial report.

1 GENERAL INFORMATION AND BASIS OF PREPARATION

(a) GENERAL INFORMATION

China Metal Resources Utilization Limited (the "Company") was incorporated in the Cayman Islands on 22 February 2013.

The Company and its subsidiaries (together referred to as the "Group") are principally engaged in the manufacturing, sales and trading of copper, aluminium and related products. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 21 February 2014. In the opinion of the directors, the holding company and ultimate holding company of the Company is Epoch Keen Limited ("Epoch Keen"), which is incorporated in the British Virgin Islands ("BVI").

(b) BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 29 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION AND BASIS OF PREPARATION (continued)

(b) BASIS OF PREPARATION (continued)

This interim financial report contains unaudited interim condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The unaudited condensed consolidated interim financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the IASB.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Group's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory annual consolidated financial statements for the year ended 31 December 2019 are available from the Group's registered office.

2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised IFRSs for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES (continued)

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES (continued)

(c) Amendment to IFRs16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3 SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) Recycled copper products segment: use of scrap copper and electrolytic copper for the manufacturing and trading of recycled copper products, and trading of electrolytic copper and nickel products;

(b) Power transmission and distribution cables segment: manufacturing and sales of power transmission and distribution cables; and

(c) Communication cables segment: manufacturing and sales of communication cables.

3 SEGMENT REPORTING(continued)

(a) SEGMENT RESULTS

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that certain interest income, corporate and other unallocated income/(expenses), certain finance costs as well as share of profits of associates are excluded from such measurement.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

3 SEGMENT REPORTING (continued)

(a) SEGMENT RESULTS (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the periods is set out below:

	For the six months ended 30 June 2020			
	Recycled copper products (Unaudited) RMB'000	Power transmission and distribution cables (Unaudited) RMB'000	Communication cables (Unaudited) RMB'000	Total (Unaudited) RMB'000
Sales to external customers	10,168,025	9,582	8,751	10,186,358
Intersegment sales	221,531	4,899	3,257	229,687
	10,389,556	14,481	12,008	10,416,045
Reconciliation:				
Elimination of intersegment sales				(229,687)
Revenue				10,186,358
Segment results	(127,104)	(8,562)	(4,152)	(139,818)
Interest income	6,937	2	2	6,941
Corporate and other unallocated income				7,333
Finance costs	(50,212)	(1,813)	(1,665)	(53,690)
Share of profits of associates				362
Loss before tax				(178,872)
Other segment information				
Depreciation of property, plant and equipment	(17,767)	(4,586)	(1,481)	(23,834)
VAT refunds, government grants and subsidies	44,078	365	24	44.467
Provision/(reversal) of provision for doubtful debts, net	(13,272)	4,182	2,120	(6,970)

3 SEGMENT REPORTING (continued)

(a) SEGMENT RESULTS (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the periods is set out below:

	For the six months ended 30 June 2019			
	Recycled copper products (Unaudited) RMB'000	Power transmission and distribution cables (Unaudited) RMB'000	Communication cables (Unaudited) RMB'000	Total (Unaudited) RMB'000
Sales to external customers	11,661,892	16,445	16,534	11,694,871
Intersegment sales	105,496	238	4,758	110,492
	11,767,388	16,683	21,292	11,805,363
Reconciliation:				
Elimination of intersegment sales				(110,492)
Revenue				11,694,871
Segment results	80,022	(5,397)	(837)	73,788
Interest income	129	3	88	220
Corporate and other unallocated expenses				18,746
Finance costs	(28,376)	(1,123)	(5,257)	(34,756)
Share of profits of associates				534
Profit before tax				58,532
Other segment information				
Depreciation and amortisation	(17,453)	(3,688)	(1,347)	(22,488)
VAT refunds, government grants and subsidies	194,181	91	1,804	196,076
Reversal of provision for doubtful debts, net	50,656	1,165	2,945	54,766

3 SEGMENT REPORTING (continued)

(b) GEOGRAPHIC INFORMATION

The Group carried out its business operations in the People's Republic of China ("PRC"), thus no separate geographical segment analysis based on the location of assets and the revenue and profit or loss are presented.

(c) INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from each of the major customers, which contributed 10% or more of the Group's revenue, is set out below:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Recycled copper product segment		
Customer A	**3,057,199**	N/A
Customer B	**2,398,991**	2,053,600
Customer C	**N/A**	1,528,517
	5,456,190	3,582,117

4 REVENUE

Revenue from contracts with customers are mainly derived from manufacturing and sales of copper and related products in the PRC, of which the revenue was recognised at a point of time when goods were transferred.

The amount of each significant category of revenue is as follows:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenue from trading of electrolytic copper	**8,209,482**	8,315,856
Sales of recycled copper products	**1,955,972**	3,323,894
Sales of power transmission and distribution cables	**9,582**	16,445
Sales of communication cables	**8,751**	16,534
Sales of scrap materials	**1,633**	17,977
Others	**938**	4,165
	10,186,358	11,694,871

4 REVENUE (continued)

DISAGGREGATED REVENUE INFORMATION

	For the six months ended 30 June 2020			
	Recycled copper products (Unaudited) RMB'000	Power transmission and distribution cables (Unaudited) RMB'000	Communication cables (Unaudited) RMB'000	Total (Unaudited) RMB'000
Revenue from trading of electrolytic copper	8,209,482	–	–	8,209,482
Sales of recycled copper products	1,955,972	–	–	1,955,972
Sales of power transmission and distribution cables	–	9,582	–	9,582
Sales of communication cables	–	–	8,751	8,751
Sales of scrap materials	1,633	–	–	1,633
Others	938	–	–	938
	10,168,025	9,582	8,751	10,186,358

	For the six months ended 30 June 2019			
	Recycled copper products (Unaudited) RMB'000	Power transmission and distribution cables (Unaudited) RMB'000	Communication cables (Unaudited) RMB'000	Total (Unaudited) RMB'000
Revenue from trading of electrolytic copper	8,315,856	–	–	8,315,856
Sales of recycled copper products	3,323,894	–	–	3,323,894
Sales of power transmission and distribution cables	–	16,445	–	16,445
Sales of communication cables	–	–	16,534	16,534
Sales of scrap materials	17,977	–	–	17,977
Others	4,165	–	–	4,165
	11,661,892	16,445	16,534	11,694,871

4 REVENUE (continued)

DISAGGREGATED REVENUE INFORMATION (continued)

Performance obligations

Information about the Group's performance obligations is summarised below:

SALE OF GOODS

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 3 months from delivery, except for new customers, where payment in advance is normally required.

5 OTHER INCOME AND GAIN, NET

	Notes	For the six months ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
VAT refunds			
— Comprehensive utilisation of resources	(i)	**23,131**	94,036
— Others		**317**	1,273
Government grants	(ii)	**21,019**	100,159
Government subsidies	(iii)	**–**	608
Interest income		**6,943**	278
Net loss on copper futures contracts upon settlement		**(288)**	(68)
Foreign exchange differences, net		**2,859**	2,651
Loss on disposal of property, plant and equipment		**(2)**	(135)
Changes in fair value of contingent considerations liabilities		**(990)**	86,890
Others		**(715)**	(297)
		52,274	285,395

5 OTHER INCOME, GAIN/(LOSS), NET (continued)

Notes:

(i) The Group is entitled to government grants for refunds of 30% for the six months ended 30 June 2020 (2019: 30%) of the net VAT paid/payable. The Ministry of Finance and the State Administration of Taxation jointly issued a notice concerning the "Catalogue on Products and Labour Services relating to Comprehensive Utilisation of Resources Eligible for Concessions of Value-added Tax" (Cai Shui 2015 (No. 78)) (the "New VAT Policy") on 12 June 2015, which replaced, amongst others, Cai Shui 2011 No. 115 (the "Former VAT Policy")). Under the Former VAT Policy, certain subsidiaries of the Group are entitled to government grants for refunds of 50% of the net VAT paid/payable. The New VAT Policy took effect on 1 July 2015. According to the New VAT Policy, the applicable VAT refund for such subsidiaries has been reduced from 50% to 30%.

(ii) The amounts represent local government grants received by operating subsidiaries of the Group in the PRC for the purpose of providing immediate financial support to those subsidiaries for general operating use with no future related costs. No specific conditions are required to meet in connection with these grants.

(iii) For the six months ended 30 June 2020, the Group was granted unconditional government subsidies of RMBnil (2019: RMB608,000) from Youxian District Finance Bureau, Mianyang City, Sichuan Province. The subsidies were received through Sichuan Baohe Fushan Resources Recycling Development Co., Ltd. ("Baohe Fushan"), an associate of the Group. Baohe Fushan is principally engaged in the operation and the development of an industrial park in Mianyang City, Sichuan Province, where most of the Group's subsidiaries are located.

6 PROFIT/(LOSS) BEFORE TAX

Profit before taxation is arrived at after charging:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cost of sales (Note)	**101,245,200**	11,824,159
Staff costs	**22,227**	27,363
Depreciation of property, plant and equipment	**23,834**	22,488
Depreciation of right-of-use assets	**3,538**	4,076
Write-down of inventories	**811**	–

Note: Cost of sales includes RMB17,810,000 (30 June 2019: RMB30,192,000) relating to staff cost, depreciation and amortisation, which amount is also included in the respective total amounts.

7 INCOME TAX

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Current tax — PRC corporate income tax		
Provision for the period	**864**	12,166
Under provision in respect of prior periods	**–**	568
	864	12,734
Deferred tax	**(23,586)**	1,772
	(22,722)	14,506

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the current and prior periods.

(iii) The Company's PRC subsidiaries are subject to PRC corporate income tax applicable for each subsidiary.

8 EARNINGS PER SHARE

(a) BASIC

The calculation of basic earnings per share is based on the loss attributable to the equity shareholders of the Company of RMB156,150,000 (profit for the six months ended 30 June 2019: RMB44,026,000) and the weighted average number of 2,665,486,490 ordinary shares (six months ended 30 June 2019: 2,639,835,589 shares) issued during the interim period.

(b) DILUTED

Because the Group was loss-making for the six months ended 30 June 2020, the warrants, share options and convertible bonds had no dilutive impact.

9 PROPERTY, PLANT AND EQUIPMENT

(a) ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2020, the Group's additions to property, plant and equipment amounted to RMB75,000 (six months ended 30 June 2019: RMB4,295,000). No material disposal of property, plant and equipment was made during the six months ended 30 June 2020 and 2019.

(b) All of the Group's property, plant and equipment are located in the PRC. As at 30 June 2020, property, plant and equipment with the net book value of RMB422,342,000 (31 December 2019: RMB424,508,000) were pledged for certain banking facilities granted to the Group (see note 13(b)).

10 INVENTORIES

As at 30 June 2020, inventories of RMB163,566,000 (31 December 2019: RMB163,566,000) were pledged for banking facilities granted to the Group (see note 13(b)).

11 TRADE AND BILLS RECEIVABLES, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivables, based on invoice date and net of allowance for impairment loss is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 30 days	**694,958**	760,171
31 to 60 days	**11,707**	135,710
61 to 180 days	**308,548**	140,831
Over 180 days	**101,860**	152,325
Trade and bills receivables, net of allowance for doubtful debts	**1,117,073**	1,189,037
Advance payments to suppliers	**1,505,813**	1,842,131
Government grants receivable	**170,412**	157,431
Other deposits, prepayments and receivables	**236,288**	133,216
Total prepayments, other receivables and other assets	**3,029,586**	3,321,815
Less: non-current portion	**(33,731)**	(24,441)
Current portion	**2,995,855**	3,297,374

Trade and bills receivables are normally due within 90 days from the date of billing.

12 TRADE AND BILL PAYABLES, OTHER PAYABLES AND ACCRUALS

As at the end of the reporting period, the ageing analysis of the trade and bills payables, based on transaction date, is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 30 days	**757,916**	78,738
31 to 60 days	**393,494**	453,224
61 to 180 days	**8,714**	9,154
Over 180 days	**11,930**	18,776
Trade and bills payables	**1,172,054**	559,892
Contract liabilities	**487,335**	225,500
Accrued expenses and other payables	**728,557**	647,933
Other payables and accruals	**2,387,946**	1,433,325

13 INTEREST-BEARING BANK AND OTHER BORROWINGS

(a) As at 30 June 2020, the analysis of interest-bearing bank and other borrowings is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Bank loans — secured	**242,900**	261,020
Other borrowings — secured	**174,810**	196,875
Factoring loan-secured	**288,000**	261,100
Entrusted loans — secured (Note)	**306,116**	306,116
Lease liabilities	**4,763**	6,535
	1,016,589	1,031,646
Less: non-current portion	**2,997**	3,361
Current portion	**1,013,592**	1,028,285
Represented by:		
Within 1 year or on demand	**1,013,592**	1,028,285
After 1 year but within 2 years	**998**	812
After 2 years but within 5 years	**1,999**	2,549
	1,016,589	1,031,646

Note:

As at 30 June 2020, entrusted loans are repayable within one year or on demand, and were interest-bearing at 4.2% to 10% (2019: 4.2% to 10%) per annum.

The Group has defaulted in its repayment of entrusted loans which matured in August and September 2016 ("the loans payable"). The loans payable of RMB299,116,000 were secured by 310,317,000 ordinary shares (2019: 310,317,000 ordinary shares) in the Company held by Mr. Huang Weiping, key management personnel of the Group, representing 11.8% (31 December 2019: 11.8%) of the issued share capital of the Company as at 30 June 2020. At 30 June 2020, the negotiation to settle the outstanding entrusted loans of RMB299,116,000 (2019: RMB299,116,000) was still ongoing. The abovementioned defaulted loans were recorded in current liabilities as at 30 June 2020.

13 INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(a) As at 30 June 2020, the analysis of borrowings is as follows: (continued)

Note: (continued)

On 16 July 2020, the Company has entered into a non-legally binding framework agreement with the entrusted party. Under the framework agreement, it is intended, among others, that the entrusted party will subscribe for shares of the Company for a consideration of more than RMB300 million. The share subscription consideration will be settled by the repayment of entrusted loans amounting to RMB299 million as at 30 June 2020 owed by the Group to entrusted party.

(b) The banking facilities of the Group were secured by the following assets:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Property, plant and equipment (note 9(b))	**422,342**	424,508
Right-of-use assets	**96,530**	91,429
Inventories (note 10)	**163,566**	163,566
Trade receivables	**373,539**	332,023
Pledged deposits	**30,141**	30,082
	1,086,118	1,041,608

(c) The default of convertible bonds and entrusted loan may had caused cross-default of certain other borrowings as 30 June 2020. The respective balance of RMB110,430,000 was reclassified from non-current liabilities to current liabilities.

14 CAPITAL, RESERVES AND DIVIDENDS

(a) DIVIDENDS

No interim dividend (six months ended 30 June 2019: Nil) was declared during the six months ended 30 June 2020.

No dividend payable to equity shareholders attributable to the previous financial year (six months ended 30 June 2019: Nil) was approved or paid during the period.

14 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) SHARE CAPITAL

Authorised and issued share capital

	Par value HK$	No. of shares	Nominal value of ordinary shares HK$'000
Authorised:			
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	0.10	100,000,000,000	10,000,000

	No. of shares	HK$'000	RMB'000
Issued and fully paid:			
At 1 January 2019	2,614,994,419	261,499	210,244
Issuance of ordinary shares	16,609,419	1,661	1,497
At 31 December 2019, 1 January 2020 and 30 June 2020	2,631,603,838	263,160	211,741

14 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) STATUTORY RESERVES

In accordance with the Wholly Foreign Owned Enterprise Law applicable to the subsidiaries in the PRC, the subsidiaries are required to make appropriations to the Statutory Reserve Fund (the "SRF"). At least 10% of the after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

(d) SHARE PREMIUM

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(e) SHARE-BASED PAYMENT RESERVE

Share-based payment reserve represents the portion of the fair value of unexercised share options granted to employees of the Group at grant date that has been recognised in accordance with the accounting policy adopted for equity-settled share option expense to the financial statements.

The amount will either be transferred to the share premium account when the option is exercised, or be released directly to retained profits if the option is lapsed or forfeited.

(f) CONVERTIBLE BONDS EQUITY RESERVE

Convertible bonds equity reserve arises from the residual amount of the net proceeds of convertible bonds less the fair value of liability component and derivative component at the date of issuance. The equity component will remain as a separate line item within equity until the conversion option is exercised (in which case the corresponding portion of the equity component will be transferred to share capital and share premium). Where the conversion option remains unexercised at the expiry date, the balance will be released to the retained earnings/accumulated losses.

15 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 28 January 2014 and has come into effect upon the Company's listing on 21 February 2014 whereby the directors of the Company, are authorised, at their discretion, to invite any director or employee of the Group and any other person who in the sole discretion of the directors has contributed or will contribute to the Group to take up options to subscribe for shares of the Company. For detailed share option scheme, please refer to the Company's announcements on 2 July 2014, 7 May 2015, 23 July 2015, 31 May 2016 and 12 December 2017.

The number and weighted-average exercise prices of share options under the share option scheme were as follows:

In thousands of options	**Number of options for the six months ended 30 June 2020 '000**	**Weighted-average exercise price for the six months ended 30 June 2020 HK$**	Number of options for the year ended 31 December 2019 '000	Weighted-average exercise price for the year ended 31 December 2019 HK$
Outstanding at 1 January	**133,492**	**2.13**	161,602	2.34
Lapsed during the period/year	**(4,096)**	**3.25**	(28,110)	(3.66)
Outstanding at the end of the period/year	**129,396**	**2.10**	133,492	2.13
Exercisable at the end of the period/year	**129,396**	**2.10**	133,492	2.13

16 BUSINESS COMBINATION

(a) On 27 March 2018, the Group acquired 100% interest in Silver Eminent Limited ("Silver Eminent") and its subsidiaries ("Silver Eminent Group"). Silver Eminent is engaged in trading of copper products through Zhaofeng, its subsidiary in the PRC. The acquisition was made as part of the Group's strategy to expand its market share of recycled copper products in the PRC. The purchase consideration for the acquisition was in the form of cash amounting to RMB139,161,000 (equivalent to HK$158,824,000), of which RMB63,567,000 (equivalent to HK$79,412,000) was paid in March 2018 with the remaining amount subject to earn-out arrangement as further discussed below and by way of allotment and issuance of consideration shares, which are also subject to earn-out arrangement as further detailed below, with an estimated value of RMB467,000 at the acquisition date.

The fair values of the identifiable assets and liabilities of Silver Eminent Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	17
Inventories	432
Trade and other receivables, gross	106,775
Provision for impairment of trade and other receivables	–
Cash and cash equivalents	15
Trade and other payables	(106,769)
Total identifiable net assets at fair value	470
Goodwill on acquisition	63,564
Consideration	64,034
Consideration	
— Satisfied by cash	63,567
— Shares subject to earn-out payment (note)	467
	64,034

16 BUSINESS COMBINATION (continued)

(a) (continued)

Note:

As part of the sale and purchase agreement, contingent consideration, in the form of cash and shares ("Contingent Shares"), is payable, which is dependent on net profits of Silver Eminent Group during the 36-month period subsequent to the acquisition. The initial amounts recognised were based on the closing market price of the Company on the Stock Exchange at the date of acquisition and the probability to meet the net profit target and is within Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders 90 days after each financial statement approval date. At the date of approval of these financial statements, no further significant changes to the consideration were expected.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration are as follows:

— Sales volume growth ranging from 6% to 15% from 2018 to 2020; and

— Pre-tax discount rate at 9.00% (2019: 9.00%).

A significant increase (decrease) in the net profit of Silver Eminent Group would result in a significant increase (decrease) in the fair value of the contingent consideration liability. A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the contingent consideration liability.

Based on the sale and purchase agreement dated 15 December 2017, the contingent consideration will be satisfied by the issuance of Contingent Shares in three tranches in the following manner:

(i) If Silver Eminent Group achieves net profits of RMB25,000,000 for the year ended 31 December 2018, a maximum of 11,610,000 Contingent Shares shall be issued;

(ii) If Silver Eminent Group achieves net profits of RMB55,000,000 for the two years ending 31 December 2019, a maximum of 37,305,000 Contingent Shares shall be issued; and

(iii) If Silver Eminent Group achieves net profits of RMB90,000,000 for the three years ended 31 December 2020, a maximum of 41,796,000 Contingent Shares shall be issued.

16 BUSINESS COMBINATION (continued)

(a) (continued)

Note: (continued)

Assuming the maximum number of Contingent Shares is being allotted and issued to the seller, 41,796,000 shares will be issued under the sale and purchase agreement, representing approximately 1.69% of the issued share capital of the Company as at the acquisition date and approximately 1.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Contingent Shares. The Contingent Shares to be issued will rank pari passu in all respects with the shares then in issue on the relevant issue date.

The fair values of the trade and other receivables as at the date of acquisition amounted to RMB106,775,000. The gross contractual amount of trade and other receivables was RMB106,775,000. No trade and other receivables are expected to be uncollectible.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration	63,567
Cash and bank balances acquired	(15)
Net outflow of cash and cash equivalents included in cash flows from investing activities	63,552

Since the acquisition, Silver Eminent Group contributed RMB129,862,000 to the Group's revenue and caused a loss of RMB10,595,000 to the consolidated profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of the prior year, the revenue and the profit of the Group for the prior year would have been RMB20,802,029,000 and RMB20,549,000, respectively.

16 BUSINESS COMBINATION (continued)

(b) On 4 April 2018, the Group acquired a 100% interest in Value Link and its subsidiaries ("Value Link Group"). Value Link is engaged in production of copper products through Rongsheng, its subsidiary in the PRC. The acquisition was made as part of the Group's strategy to expand its market share of recycled copper products in the PRC. The purchase consideration for the acquisition was in the form of cash amounting to RMB115,309,000 (equivalent to HK$131,601,000), by way of allotment and issuance of Contingent Shares estimated at RMB61,266,000 at the acquisition date and by way of assumption of a loan issued by Sure Victor Global Limited ("Sure Victor"), the seller, to China Rongsheng Metal Limited, a subsidiary of Value Link, at the prevailing benchmark interest rate as specified by the People's Bank of China ("PBOC") per annum for a term commencing from the completion date to 31 March 2021, approximately RMB115,309,000 at the acquisition date. Both the Contingent Shares and the loan are subject to an earn-out arrangement as further detailed below.

The fair values of the identifiable assets and liabilities of Value Link Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	5,506
Inventories	54,714
Trade and other receivables, gross	20,542
Provision for impairment of trade and other receivables	–
Cash and cash equivalents	168
Trade and other payables	(75,741)
Obligation under finance leases	(4,282)
Total identifiable net assets at fair value	907
Goodwill on acquisition	290,977
Consideration	291,884
Consideration	
— Satisfied by cash	115,309
— Shares subject to earn-out payment (note (i))	61,266
— Loan subject to earn-out payment (note (ii))	115,309
	291,884

16 BUSINESS COMBINATION (continued)

(b) (continued)

Notes:

(i) As part of the sale and purchase agreement, Contingent Shares are to be settled as payable, which is dependent on net profits of Value Link Group during the 36-month period subsequent to the acquisition. The initial amounts recognised were based on the closing market price of the Company on the Stock Exchange at the date of acquisition and the probability to meet the net profit target and is within Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders 90 days after each financial statement approval date. At the date of approval of these financial statements, no further significant changes to the consideration were expected.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration are as follows:

— Sales growth ranging from 6 to 15% from 2018 to 2020; and

— Pre-tax discount rate at 9.00% (2019: 9.00%).

A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the contingent consideration liability.

Based on the sale and purchase agreement dated 7 February 2018, the Contingent Shares will be issued in three tranches in the following manner:

(a) If Value Link Group achieves net profits of RMB45,000,000 for the year ended 31 December 2018, a maximum of 23,621,000 Contingent Shares shall be issued;

(b) If Value Link Group achieves net profits of RMB105,000,000 for the two years ended 31 December 2019, a maximum of 55,116,000 Contingent Shares shall be issued; and

(c) If Value Link Group achieves net profits of RMB180,000,000 for the three years ending 31 December 2020, a maximum of 94,485,000 Contingent Shares shall be issued.

Assuming the maximum number of Contingent Shares is being allotted and issued to the seller, 94,485,000 shares will be issued under the sale and purchase agreement, representing approximately 3.83% of the issued share capital of the Company as at the acquisition date and approximately 3.69% of the issued share capital of the Company as enlarged by the allotment and issue of the Contingent Shares. The Contingent Shares to be issued will rank pari passu in all respects with the shares then in issue on the relevant issue date.

(ii) If Value Link Group fails to achieve an aggregate net profit of approximately RMB69,857,000 for the three years ending 31 December 2020, Sure Victor shall unconditionally waive a maximum of 100% of the loan.

16 BUSINESS COMBINATION (continued)

(b) (continued)

The fair values of the trade and other receivables as at the date of acquisition amounted to RMB20,542,000. The gross contractual amount of trade and other receivables was RMB20,542,000. No trade and other receivables are expected to be uncollectible.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration	115,309
Cash and bank balances acquired	(168)
Net outflow of cash and cash equivalents included in cash flows from investing activities	115,141

Since the acquisition, Value Link Group contributed RMB1,006,694,000 to the Group's revenue and RMB43,848,000 to the consolidated profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of the prior year, the revenue and the profit of the Group for the prior year would have been RMB20,874,046,000 and RMB17,498,000, respectively.

(c) On 19 October 2018, the Group acquired a 100% interest in Sky Harvest and its subsidiaries ("Sky Harvest Group"). Sky Harvest Group is engaged in production of copper products through Chengxin, its subsidiary in the PRC. The acquisition was made as part of the Group's strategy to expand its market share of recycled copper products in the PRC. The purchase consideration for the acquisition was in the form of cash amounting to RMB88,532,000 (equivalent to HK$100,000,000), by way of allotment and issue of Contingent Shares estimated at RMB195,428,000 (equivalent to HK$223,040,000) at the acquisition date and by way of assumption of a loan issued by Advance Splendid Limited ("Advance Splendid"), the seller, to China Sanmei Copper Limited, a subsidiary of Sky Harvest, at the prevailing benchmark interest rate as specified by the PBOC per annum for a term commencing from the completion date to 31 March 2021, approximately RMB70,826,000 (equivalent to HK$80,000,000) at the acquisition date. Both the Contingent Shares and the loan are subject to an earn-out arrangement as further detailed below.

16 BUSINESS COMBINATION (continued)

(c) (continued)

The fair values of the identifiable assets and liabilities of Sky Harvest Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	22,971
Prepaid land lease payments	10,070
Inventories	13
Trade and other receivables, gross	13,318
Provision for impairment of trade and other receivables	–
Cash and cash equivalents	404
Total identifiable net assets at fair value	46,776
Goodwill on acquisition	308,010
Consideration	354,786
Consideration	
— Satisfied by cash	88,532
— Shares subject to earn-out payment (note (i))	195,428
— Loan subject to earn-out payment (note (ii))	70,826
	354,786

16 BUSINESS COMBINATION (continued)

(c) (continued)

Notes:

(i) As part of the sale and purchase agreement, Contingent Shares are to be issued, which is dependent on net profits of Sky Harvest Group during the 36-month period subsequent to the acquisition. The initial amount recognised was based on the closing market price of the Company on the Stock Exchange at the date of acquisition and the probability to meet the net profit target and is within Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders 90 days after each financial statement approval date. At the date of approval of these financial statements, no further significant changes to the consideration were expected.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration are as follows:

— Sales volume growth from 6% to 15% from 2019 to 2021; and

— Pre-tax discount rate is at 9.00% (2019: 9.00%).

A significant increase/(decrease) in the net profit of Sky Harvest Group would result in a significant increase (decrease) in the fair value of the contingent consideration liability. A significant increase/(decrease) in the discount rate would result in a significant decrease/(increase) in the fair value of the contingent consideration liability.

Based on the sale and purchase agreement dated 19 October 2018, the Contingent Shares will be issued in three tranches in the following manner:

(a) If Sky Harvest Group achieves net profits of RMB35,000,000 for the year ended 31 December 2019, a maximum of 15,361,000 Contingent Shares shall be issued;

(b) If Sky Harvest Group achieves net profits of RMB85,000,000 for the two years ending 31 December 2020, a maximum of 37,305,000 Contingent Shares shall be issued; and

(c) If Sky Harvest Group achieves net profits of RMB150,000,000 for the three years ending 31 December 2021, a maximum of 65,833,000 Contingent Shares shall be issued.

Assuming the maximum number of Contingent Shares is being allotted and issued to the seller, 65,833,000 shares will be issued under the sale and purchase agreement, representing approximately 2.52% of the issued share capital of the Company as at the acquisition date and approximately 2.46% of the issued share capital of the Company as enlarged by the allotment and issue of the Contingent Shares. The Contingent Shares to be issued will rank pari passu in all respects with the shares then in issue on the relevant issue date.

16 BUSINESS COMBINATION (continued)

(c) (continued)

Notes: (continued)

(ii) If Sky Harvest Group fails to achieve an aggregate net profit of approximately RMB53,028,000 for the three years ending 31 December 2021, Advance Splendid shall unconditionally waive a maximum of 100% of the loan.

The fair values of the trade and other receivables as at the date of acquisition amounted to RMB13,318,000. The gross contractual amount of trade and other receivables was RMB13,318,000. No trade and other receivables are expected to be uncollectible.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration	88,532
Cash and bank balances acquired	(404)
Net outflow of cash and cash equivalents included in cash flows from investing activities	88,128

Since the acquisition, Sky Harvest Group contributed nil to the Group's revenue and profit of RMB450,000 to the consolidated profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of the prior year, the revenue and the profit of the Group for the prior year would have been RMB20,642,565,000 and RMB19,956,000 respectively.

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

FINANCIAL ASSETS

	30 June 2020 (Unaudited)		
	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	–	1,117,073	1,117,073
Financial assets included in prepayments, other receivables and other assets	–	1,742,101	1,742,101
Derivative financial instrument	107,451	–	107,451
Amounts due from associates	–	771	771
Amounts due from related parties	–	–	–
Pledged deposits	–	525,565	525,565
Cash and cash equivalents	–	47,051	47,051
	107,451	3,432,561	3,540,012

	31 December 2019 (Audited)		
	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	–	1,189,037	1,189,037
Financial assets included in prepayments, other receivables and other assets	–	1,868,133	1,868,133
Derivative financial instrument	107,451	–	107,451
Amounts due from associates	–	15,261	15,261
Amounts due from related parties	–	10	10
Pledged deposits	–	42,982	42,982
Cash and cash equivalents	–	64,703	64,703
	107,451	3,180,126	3,287,577

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

FINANCIAL LIABILITIES

	30 June 2020 (Unaudited)		
	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	1,172,054	1,172,054
Note payables	–	97,113	97,113
Financial liabilities included in other payables and accruals	–	174,552	174,552
Interest-bearing bank and other borrowings	–	1,011,826	1,011,826
Lease liabilities	–	4,763	4,763
Amounts due to associates	–	91,894	91,894
Amount due to a related party	–	144,894	144,894
Liability component of convertible bonds	–	571,326	571,326
Contingent consideration liabilities	160,702	–	160,702
	160,702	3,268,422	3,429,124

	31 December 2019 (Audited)		
	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	559,892	559,892
Note payables	–	30,457	30,457
Financial liabilities included in other payables and accruals	–	94,976	94,976
Interest-bearing bank and other borrowings	–	1,025,111	1,025,111
Lease liabilities	–	6,535	6,535
Amounts due to associates	–	32,801	32,801
Amount due to a related party	–	5,613	5,613
Liability component of convertible bonds	–	636,524	636,524
Contingent consideration liabilities	151,305	–	151,305
	151,305	2,391,909	2,543,214

18 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000	**30 June 2020 (Unaudited) RMB'000**	31 December 2019 (Audited) RMB'000
Financial asset				
Derivative financial instrument	**107,451**	107,451	**107,451**	107,451
Financial liabilities				
Liability component of convertible bonds	**571,326**	636,524	**571,326**	636,524
Contingent consideration liabilities	**160,702**	151,305	**160,702**	151,305

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amounts due from/to associates, amounts due from/to related parties, current portion of pledged deposits and current portion of note payable and interest bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

18 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Other than the calculation method of fair value of contingent consideration liabilities which is based on discounted cash flows forecasts prepared by the management, the fair values of the non-current portion of pledged deposits and non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance leases payable and interest-bearing bank and other borrowings as at 30 June 2020 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2020 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instrument	–	–	107,451	107,451

As at 31 December 2019 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instrument	–	–	107,451	107,451

18 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY (continued)

Assets measured at fair value: (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
At 1 January	107,451	–
Total gain/loss recognised in profit or loss	–	107,451
At 30 June/31 December	107,451	107,451

Liabilities measured at fair value:

As at 30 June 2020 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Contingent consideration liabilities	–	–	160,702	160,702

As at 31 December 2019 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Contingent consideration liabilities	–	–	151,305	151,305

18 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2020 (Unaudited) RMB'000
At 1 January	**151,305**
Gain recognised in the consolidated statement of profit or loss	**990**
Interest expense	**5,234**
Additions (note)	**115**
Loss recognised in other comprehensive loss	**3,058**
At 30 June	**160,702**

	2019 RMB'000
At 1 January	407,667
Contingent consideration liabilities recognised upon business combinations	–
Contingent consideration liabilities settled by issuance of ordinary shares	(69,855)
Gains recognised in profit or loss	(240,395)
Additions (note)	53,119
Interest Expenses	9,447
Gains recognised in other comprehensive income	(8,678)
At 31 December	151,305

Note: According to the sales and purchases agreement for an acquisition occurred in the prior year, Advance Splendid provided an additional loan amounting to HK$130,000 during the six months ended 30 June 2020 (2019: HK$60,000,000).

18 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2020 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Liability component of convertible bonds	–	–	571,326	571,326

As at 31 December 2019 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Liability component of convertible bonds	–	–	636,524	636,524

19 COMMITMENTS

Capital commitments contracted but not provided for as at 30 June 2020 were as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Contracted for		
— property, plant and equipment	**27,692**	27,818
— land use rights	**12,545**	12,545
	40,237	40,363

20 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere in this interim financial report, the Group entered into the following significant related party transactions during the current and prior periods.

OTHER RELATED PARTIES TRANSACTIONS

	Notes	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Audited) RMB'000
Delivery cost charged by Mianyang Jin Xunhuan Finance Storage Limited, a subsidiary of an associate	(i)	**1,756**	6,128
Interest expense on a loan from Epoch Keen Limited, a private company controlled by Mr. Yu Jianqiu	(ii)	**117**	119
Security provided by Gushan Vegetable, a private company controlled by Mr. Yu Jianqiu	(iii)	**15,500**	17,000

20 MATERIAL RELATED PARTY TRANSACTIONS (continued)

OTHER RELATED PARTIES TRANSACTIONS (continued)

Notes:

(i) The delivery cost is charged at a rate ranging from RMB28 to RMB390 per ton (2019: RMB28 to RMB390 per ton).

(ii) The loan from Epoch Keen Limited which is unsecured, interest-bearing at 4.35% (2019: 4.35%) per annum and repayable on demand was settled during the year.

(iii) At 30 June 2020, bank loans of RMB15,500,000 (2019: RMB17,000,000) were secured by property, plant and equipment of Gushan Vegetable.

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

The total compensation of key management personnel amounted to RMB3,525,000 (2019: RMB6,489,000) during the period ended 30 June 2020.

21 EVENT AFTER THE REPORTING PERIOD

(a) Since the outbreak of COVID-19 in early of 2020, PRC has implemented a series of precautionary and control measures with have certain impacts on PRC's business and economic activities. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group.

(b) On 1 July 2020, the Company entered into a non-legally binding framework agreement with Mianyang Fule Investment Co., Ltd. ("Fule"), a state-owned enterprise in the PRC. Under the framework agreement, it is intended, among others, that Fule will subscribe for shares of the Company for a consideration of more than RMB298 million. The intended uses of the proceeds from Fule will include, but not be limited to, the repayment of advances in the principal amount of up to RMB298 million owed by the Group to Fule. On 20 July 2020, the Company and Fule entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue and Fule has conditionally agreed to subscribe for 618,490,456 shares of the Company at a price of HK$0.53 per share.

21 EVENT AFTER THE REPORTING PERIOD (continued)

(c) On 16 July 2020, the Company has entered into a non-legally binding framework agreement with Mianyang Science Technology City Development Investment (Group) Co. Ltd ("Kefa"), a state-owned enterprise in the PRC. Under the framework agreement, it is intended, among others, that Kefa will subscribe for shares of the Company for a consideration of more than RMB300 million. The intended uses of the proceeds from Kefa will include, but not be limited to, the repayment of entrusted loans amounting to approximately RMB299 million as at 30 June 2020 owed by the Group to Kefa.

Except for the above, there is no significant event subsequent to 30 June 2020 which would materially affect the Group's operating and financial performance as at the date of this report.

China Metal Resources Utilization Limited
中國金屬資源利用有限公司

This Interim Report is printed on environmentally friendly paper
本中期報告以環保紙張印刷